

CITY OF CIMARRON, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
and
UNIFORM GUIDANCE REPORTS
YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Cimarron, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Cimarron, Kansas and its related municipal entity, the Cimarron City Library (collectively referred to as the Municipal Financial Reporting Entity), as of and for the year ended December 31, 2017, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note A, the financial statement is prepared by the Municipal Financial Reporting Entity on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Municipal Financial Reporting Entity as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the Municipal Financial Reporting Entity as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Municipal Financial Reporting Entity as of and for the year ended December 31, 2016 (not presented herein), and have issued our report thereon dated August 31, 2017, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2016 actual column (2016 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures for year ended December 31, 2017 (Schedule 2 as listed in the table of contents), is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the City of Cimarron, Kansas's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Cimarron, Kansas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cimarron, Kansas's internal control over financial reporting and compliance.

Kennedy McKee & Company LLP

September 24, 2018

CITY OF CIMARRON, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2017

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>	<u>Receipts</u>
General fund:			
General	<u>\$ 702,702</u>	<u>\$ -</u>	<u>\$ 1,145,589</u>
Special purpose funds:			
Library	11,879	-	160,348
Special highway	100,390	-	59,765
Transient guest tax	23,506	-	9,204
PBC sales tax	212,134	-	317,135
Special park donation	3,217	-	6,000
Recreation committee	19,047	-	7,000
Equipment reserve	399,978	-	125,000
Capital improvement	<u>555,237</u>	<u>-</u>	<u>2,546,471</u>
Total special purpose funds	<u>1,325,388</u>	<u>-</u>	<u>3,230,923</u>
Bond and interest fund:			
Bond and interest	<u>127,162</u>	<u>-</u>	<u>347,547</u>
Trust fund:			
Pearl Luther endowment	<u>21,223</u>	<u>-</u>	<u>120</u>
Business funds:			
Light enterprise	549,204	-	1,561,406
Water enterprise	513,028	-	438,248
Trash enterprise	144,838	-	307,524
Sewer enterprise	211,237	-	213,301
Sewer plant replacement	<u>42,400</u>	<u>-</u>	<u>63,600</u>
Total business funds	<u>1,460,707</u>	<u>-</u>	<u>2,584,079</u>
Total City of Cimarron	<u>3,637,182</u>	<u>-</u>	<u>7,308,258</u>
Related municipal entity:			
Cimarron City Library:			
General	119,233	-	201,087
Special purpose fund:			
State aid	<u>95</u>	<u>-</u>	<u>1,208</u>
Total Cimarron City Library	<u>119,328</u>	<u>-</u>	<u>202,295</u>
Total municipal financial reporting entity	<u>\$ 3,756,510</u>	<u>\$ -</u>	<u>\$ 7,510,553</u>

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
<u>\$ 1,154,210</u>	<u>\$ 694,081</u>	<u>\$ 40,170</u>	<u>\$ 734,251</u>
157,484	14,743	-	14,743
39,508	120,647	-	120,647
-	32,710	-	32,710
258,763	270,506	-	270,506
-	9,217	-	9,217
750	25,297	-	25,297
49,259	475,719	-	475,719
<u>2,614,627</u>	<u>487,081</u>	<u>8,510</u>	<u>495,591</u>
<u>3,120,391</u>	<u>1,435,920</u>	<u>8,510</u>	<u>1,444,430</u>
<u>339,117</u>	<u>135,592</u>	<u>-</u>	<u>135,592</u>
<u>-</u>	<u>21,343</u>	<u>-</u>	<u>21,343</u>
1,501,609	609,001	51,469	660,470
416,990	534,286	8,954	543,240
281,528	170,834	14,509	185,343
151,881	272,657	8,087	280,744
<u>31,469</u>	<u>74,531</u>	<u>-</u>	<u>74,531</u>
<u>2,383,477</u>	<u>1,661,309</u>	<u>83,019</u>	<u>1,744,328</u>
<u>6,997,195</u>	<u>3,948,245</u>	<u>131,699</u>	<u>4,079,944</u>
207,239	113,081	-	113,081
<u>1,301</u>	<u>2</u>	<u>-</u>	<u>2</u>
<u>208,540</u>	<u>113,083</u>	<u>-</u>	<u>113,083</u>
<u>\$ 7,205,735</u>	<u>\$ 4,061,328</u>	<u>\$ 131,699</u>	<u>\$ 4,193,027</u>

CITY OF CIMARRON, KANSAS**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2017

Composition of cash:

Petty cash	\$ 80
Clerk's petty cash checking	4,721
Operating checking	252,537
Money market checking	242,606
Certificates of deposit	<u>3,580,000</u>
 Total City of Cimarron	 4,079,944
Related municipal entity	<u>113,083</u>
 Total municipal financial reporting entity	 <u>\$ 4,193,027</u>

The notes to the financial statement are an integral part of this statement.

CITY OF CIMARRON, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement, schedules, and notes are representations of the City's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

The City of Cimarron is a municipal corporation governed by an elected mayor and five-member council. This regulatory financial statement presents the City of Cimarron (the Municipality) and its related municipal entity. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

Cimarron City Library. The Library provides library services to the community. The Library operates as a separate governing body, but the City levies taxes for the Library and pays most employees' salaries. The City Council approves appointments to the Library Board.

2. Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2017:

REGULATORY BASIS FUND TYPES

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest fund – used to account for the accumulation of resources (including tax levies and transfers from other funds) and payment of general long-term debt.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation – Fund Accounting (Continued)

Trust fund – used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Business fund – funds financed in whole or in part by fees charged to users for goods or services (i.e. enterprise and internal service funds, etc.).

3. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for trust funds and the following special purpose and business funds:

Special Park Donation
Recreation Committee
Equipment Reserve
Capital Improvement
Sewer Plant Replacement

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

5. Special Assessments

Projects financed in part by special assessments are financed through issuance of general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as receipts in the Bond and Interest Fund.

B. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds to have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2017.

At December 31, 2017, the City's carrying amount of deposits was \$4,079,864 and the bank balance was \$4,202,286. Of the bank balance, \$500,000 was covered by federal depository insurance and \$3,702,286 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the municipal financial reporting entity for the year ended December 31, 2017, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Public service improvements issued November 26, 2007 in the amount of \$366,709 at interest rates of 4.80% to 5.75% maturing September 1, 2023	\$ 220,000	\$ -	\$ 25,000	\$ 195,000	\$ 12,438
Refunding issued October 13, 2016 in the amount of \$1,315,000 at interest rates of 0.90% to 3.00% maturing September 1, 2031	1,315,000	-	250,000	1,065,000	17,799
Sewer improvements issued September 26, 2013 in the amount of \$525,000 at interest rates of 0.90% to 4.40% maturing September 1, 2034	510,000	-	15,000	495,000	18,880
Total general obligation bonds	2,045,000	-	290,000	1,755,000	49,117
Revenue bonds:					
Public Building Commission refunding revenue bonds issued November 14, 2016 in the amount of \$1,955,000 at interest rates of 1.20% to 2.80% maturing December 1, 2026	1,955,000	-	180,000	1,775,000	42,125

C. LONG-TERM DEBT (CONTINUED)

Issue	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
Loans:					
KDHE – Sewer system issued September 15, 1995 in the amount of \$899,093 at interest rate of 3.56% maturing March 1, 2017	\$ 30,918	\$ -	\$ 30,918	\$ -	\$ 550
KDOT – Highway improvement issued March 1, 2010 in the amount of \$184,940 at interest rate of 3.68% maturing August 1, 2029	<u>133,489</u>	<u>-</u>	<u>8,224</u>	<u>125,265</u>	<u>2,456</u>
Total loans	<u>164,407</u>	<u>-</u>	<u>39,142</u>	<u>125,265</u>	<u>3,006</u>
Capital Lease:					
FNB – Street Sweeper Issued July 25, 2017 In the amount of \$157,035 At interest rate of 3.50% Maturing July 15, 2022	<u>-</u>	<u>157,035</u>	<u>12,178</u>	<u>144,857</u>	<u>2,111</u>
Total long-term debt	<u>\$4,164,407</u>	<u>\$ 157,035</u>	<u>\$ 521,320</u>	<u>\$3,800,122</u>	<u>\$ 96,359</u>

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2018	\$ 300,000	\$ 47,753	\$ 347,753
2019	200,000	42,898	242,898
2020	200,000	38,933	238,933
2021	100,000	34,758	134,758
2022	105,000	31,445	136,445
2023-2027	415,000	112,708	527,708
2028-2032	365,000	51,730	416,730
2033-2034	<u>70,000</u>	<u>4,620</u>	<u>74,620</u>
Total	<u>\$ 1,755,000</u>	<u>\$ 364,845</u>	<u>\$ 2,119,845</u>

Current maturities of revenue bonds and interest for the next five years and through maturity are as follows:

	Principal due	Interest due	Total due
2018	\$ 185,000	\$ 38,065	\$ 223,065
2019	185,000	35,475	220,475
2020	190,000	32,515	222,515
2021	190,000	29,095	219,095
2022	195,000	25,295	220,295
2023-2026	<u>830,000</u>	<u>55,105</u>	<u>885,105</u>
Total	<u>\$ 1,775,000</u>	<u>\$ 215,550</u>	<u>\$ 1,990,550</u>

C. LONG-TERM DEBT (CONTINUED)

Current maturities of utility loans and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2018	\$ 8,502	\$ 4,615	\$ 13,117
2019	8,815	4,302	13,117
2020	9,139	3,977	13,116
2021	9,475	3,641	13,116
2022	9,824	3,292	13,116
2023-2027	54,817	10,765	65,582
2028-2029	<u>24,693</u>	<u>1,378</u>	<u>26,071</u>
Total	<u>\$ 125,265</u>	<u>\$ 31,970</u>	<u>\$ 157,235</u>

Current maturities of capital leases and interest through maturity are as follows:

	Principal due	Interest due	Total due
2018	\$ 29,632	\$ 4,661	\$ 34,293
2019	30,700	3,592	34,292
2020	31,800	2,493	34,293
2021	32,955	1,338	34,293
2022	<u>19,770</u>	<u>234</u>	<u>20,004</u>
Total	<u>\$ 144,857</u>	<u>\$ 12,318</u>	<u>\$ 157,175</u>

D. INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory authority</u>
Water enterprise	Bond and interest	\$ 105,674	K.S.A. 12-825d
Sewer enterprise	Sewer plant replacement	63,600	K.S.A. 12-825d
Water enterprise	Equipment reserve	125,000	K.S.A. 12-825d
General	Capital improvement	175,000	K.S.A. 12-1,118
Light	Capital improvement	<u>75,000</u>	K.S.A. 12-825d
		<u>\$ 544,274</u>	

Transfers to the related municipal entity were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Library	Cimarron City Library	\$ 157,484
General	Cimarron City Library	<u>5,417</u>
		<u>\$ 162,901</u>

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Section 125 Plan. The City offers a Section 125 flexible benefit plan to all eligible employees. It is used for medical insurance premiums, unreimbursed medical expenses, and for child care expenses. The plan is administered by the health insurance provider. The City withholds the amounts from the employee's paychecks and remits the withholding to the plan administrator.

Compensated Absences. Full-time employees accumulate sick leave at the rate of one day per month beginning at the end of the first month of employment. Sick leave that is unused at year-end may be carried over to the next year up to a limit of sixty days. Full-time employees who have worked at least one year receive two weeks of vacation, and those who have worked five years or more receive three weeks. After 15 years of service, employees receive four weeks of vacation. Employees are allowed to carry over five days of unused vacation to the following year.

F. DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by the City and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

F. DEFINED BENEFIT PENSION PLAN (CONTINUED)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium from the period of January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for KPERS for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City were \$54,715 for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$506,539. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described above.

G. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

H. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Project <u>authorization</u>	Expenditures <u>to date</u>
Airport Runway Construction:		
EBH	\$ 177,500	\$ 170,403
Vogts Parga Construction	<u>2,364,531</u>	<u>2,323,076</u>
Total	<u>\$ 2,542,031</u>	<u>\$ 2,493,479</u>

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 24, 2018, the date on which the financial statement was available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in this financial statement.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF CIMARRON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund	\$ 1,452,300	\$ -	\$ 1,452,300	\$ 1,154,210	\$ 298,090
Special purpose funds:					
Library	162,905	-	162,905	157,484	5,421
Special highway	123,116	-	123,116	39,508	83,608
Transient guest tax	33,000	-	33,000	-	33,000
PBC sales tax	614,825	-	614,825	258,763	356,062
Bond and interest fund:					
Bond and interest	418,248	-	418,248	339,117	79,131
Business funds:					
Light enterprise	2,200,000	-	2,200,000	1,501,609	698,391
Water enterprise	644,190	-	644,190	416,990	227,200
Trash enterprise	360,000	-	360,000	281,528	78,472
Sewer enterprise	396,880	-	396,880	151,881	244,999
Total	<u>\$ 6,405,464</u>	<u>\$ -</u>	<u>\$ 6,405,464</u>	<u>\$ 4,301,090</u>	<u>\$ 2,104,374</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		
	2016	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem tax	\$ 564,207	\$ 578,270	\$ 559,791	\$ 18,479
Delinquent tax	8,219	13,206	3,000	10,206
Vehicle tax	119,131	119,184	126,630	(7,446)
Shared receipts:				
Local sales tax	190,939	204,173	175,000	29,173
State of Kansas - connecting link	23,506	23,474	15,000	8,474
Licenses, permits and fees:				
Franchise fees	44,031	48,747	40,000	8,747
Other licenses, permits and fees	6,821	4,787	2,000	2,787
Fines, forfeitures and penalties:				
Fines - police	100,918	69,226	75,000	(5,774)
Other fines, forfeitures and penalties	-	1,722	-	1,722
Charges for services:				
Swimming pool	50,052	45,079	40,000	5,079
Interest on idle funds	2,584	5,374	1,120	4,254
Other:				
Rent	3,495	4,381	2,000	2,381
Recreation sponsor fees	6,395	4,500	3,000	1,500
Miscellaneous	22,126	46,802	10,000	36,802
Bond proceeds	22,147	-	-	-
Neighborhood revitalization rebate	(28,695)	(23,336)	(24,177)	841
Total receipts	1,135,876	1,145,589	\$ 1,028,364	\$ 117,225
Expenditures:				
General government:				
General administration:				
Personal services	52,701	38,397	\$ 62,000	\$ 23,603
Contractual services	90,422	88,655	75,000	(13,655)
Commodities	30,484	34,728	65,000	30,272
Capital outlay	-	110	-	(110)
Subtotal	173,607	161,890	202,000	40,110
Employee benefits:				
Health and life insurance	9,293	14,053	47,000	32,947
Payroll taxes and benefits	39,511	41,037	50,800	9,763
Subtotal	48,804	55,090	97,800	42,710
Total general government	222,411	216,980	299,800	82,820

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		
	2016	Actual	Budget	Variance favorable (unfavorable)
Public safety:				
Police department:				
Personal services	\$ 2,445	\$ 3,600	\$ 4,000	\$ 400
Contractual services	201,115	181,238	210,000	28,762
Commodities	7	26	-	(26)
Subtotal	203,567	184,864	214,000	29,136
Fire department:				
Personal services	11,300	3,605	7,000	3,395
Contractual services	125	571	500	(71)
Commodities	4,456	852	2,000	1,148
Capital outlay	2,605	4,136	500	(3,636)
Reimbursed expenditures	(11,429)	(9,131)	-	9,131
Subtotal	7,057	33	10,000	9,967
Total public safety	210,624	184,897	224,000	39,103
Public works:				
Street and alley:				
Contractual services	127,504	85,437	125,000	39,563
Commodities	77,631	123,392	75,000	(48,392)
Capital outlay	100	14,789	20,000	5,211
Subtotal	205,235	223,618	220,000	(3,618)
Airport:				
Contractual services	5,250	4,826	28,000	23,174
Commodities	4	261	1,000	739
Capital outlay	-	-	1,000	1,000
Subtotal	5,254	5,087	30,000	24,913
Total public works	210,489	228,705	250,000	21,295
Culture and recreation:				
Park department:				
Personal services	45,695	44,603	49,000	4,397
Contractual services	2,778	8,649	15,000	6,351
Commodities	7,770	8,912	13,000	4,088
Capital outlay	950	629	3,000	2,371
Subtotal	57,193	62,793	80,000	17,207

CITY OF CIMARRON, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Culture and recreation (continued):				
Recreation department:				
Personal services	\$ 1,916	\$ 1,484	\$ 20,000	\$ 18,516
Contractual services	4,818	5,824	7,500	1,676
Commodities	15,047	17,060	15,000	(2,060)
Capital outlay	-	2,173	7,500	5,327
Appropriation to recreation	5,000	5,000	5,000	-
Subtotal	26,781	31,541	55,000	23,459
Golf course:				
Appropriation to Cimarron Golf Club	167,000	167,000	167,000	-
Swimming pool:				
Personal services	44,259	35,899	50,000	14,101
Contractual services	510	694	10,000	9,306
Commodities	27,201	18,687	20,000	1,313
Capital outlay	-	2,318	-	(2,318)
Subtotal	71,970	57,598	80,000	22,402
Economic development:				
Personal services	-	19,037	50,000	30,963
Contractual services	-	4,551	5,000	449
Commodities	-	691	5,000	4,309
Capital outlay	-	-	5,000	5,000
Subtotal	-	24,279	65,000	40,721
Total culture and recreation	322,944	343,211	447,000	103,789
Transfers:				
Capital improvement	120,000	175,000	125,000	(50,000)
Equipment reserve	-	-	100,000	100,000
Total transfers	120,000	175,000	225,000	50,000
Transfer to related municipal entity:				
Cimarron City Library	6,797	5,417	6,500	1,083
Debt issuance costs	19,935	-	-	-
Total expenditures	1,113,200	1,154,210	\$ 1,452,300	\$ 298,090
Receipts over (under) expenditures	22,676	(8,621)		
Unencumbered cash, beginning of year	680,026	702,702	\$ 423,936	\$ 278,766
Unencumbered cash, end of year	\$ 702,702	\$ 694,081		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		
	2016	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem tax	\$ 133,645	\$ 134,262	\$ 129,699	\$ 4,563
Delinquent tax	1,951	3,129	1,000	2,129
Vehicle tax	29,336	28,374	30,242	(1,868)
Neighborhood revitalization rebate	(6,797)	(5,417)	(5,612)	195
Total receipts	158,135	160,348	<u>\$ 155,329</u>	<u>\$ 5,019</u>
Expenditures:				
Transfer to related municipal entity	157,051	157,484	<u>\$ 162,905</u>	<u>\$ 5,421</u>
Receipts over (under) expenditures	1,084	2,864		
Unencumbered cash, beginning of year	10,795	11,879	<u>\$ 7,576</u>	<u>\$ 4,303</u>
Unencumbered cash, end of year	<u>\$ 11,879</u>	<u>\$ 14,743</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Shared receipts:				
State of Kansas - gas tax	\$ 59,738	\$ 59,765	\$ 58,140	\$ 1,625
Expenditures:				
Public works:				
Contractual services	-	-	\$ 50,000	\$ 50,000
Commodities	-	28,828	50,000	21,172
Capital outlay	-	-	10,000	10,000
Debt service:				
Principal	7,932	8,224	8,200	(24)
Interest and commissions	7,661	2,456	4,916	2,460
Total expenditures	15,593	39,508	\$ 123,116	\$ 83,608
Receipts over (under) expenditures	44,145	20,257		
Unencumbered cash, beginning of year	56,245	100,390	\$ 65,899	\$ 34,491
Unencumbered cash, end of year	\$ 100,390	\$ 120,647	\$ 923	\$ 119,724

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRANSIENT GUEST TAX

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance favorable (unfavorable)
	2016	Actual	Budget	
Receipts:				
Shared receipts:				
Transient guest tax	\$ 10,617	\$ 9,204	\$ 7,000	\$ 2,204
Expenditures:				
Community services:				
Contractual services	2,250	-	\$ 12,000	\$ 12,000
Commodities	5,200	-	11,000	11,000
Capital outlay	-	-	10,000	10,000
Total expenditures	7,450	-	\$ 33,000	\$ 33,000
Receipts over (under) expenditures	3,167	9,204		
Unencumbered cash, beginning of year	20,339	23,506	\$ 26,339	\$ (2,833)
Unencumbered cash, end of year	\$ 23,506	\$ 32,710	\$ 339	\$ 32,371

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

PBC SALES TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance favorable (unfavorable)
	2016	Actual	Budget	
Receipts:				
Shared receipts:				
Sales tax	\$ 308,039	\$ 317,135	\$ 275,000	\$ 42,135
Expenditures:				
Culture and recreation:				
Capital outlay	-	36,639	\$ 100,000	\$ 63,361
Debt service:				
Principal	435,000	180,000	430,000	250,000
Interest	85,575	42,124	83,825	41,701
Commissions	-	-	1,000	1,000
Total expenditures	520,575	258,763	\$ 614,825	\$ 356,062
Receipts over (under) expenditures	(212,536)	58,372		
Unencumbered cash, beginning of year	424,670	212,134	\$ 504,095	\$ (291,961)
Unencumbered cash, end of year	\$ 212,134	\$ 270,506	\$ 164,270	\$ 106,236

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**NON-BUDGETED SPECIAL PURPOSE FUNDS****SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2017

	Special park donation	Recreation committee
Receipts:		
Donations	\$ 6,000	\$ 7,000
Grant proceeds	-	-
SRTS reimbursement	-	-
Transfers	-	-
Total receipts	6,000	7,000
Expenditures:		
Contractual services	-	750
Capital outlay	-	-
Total expenditures	-	750
Receipts over (under) expenditures	6,000	6,250
Unencumbered cash, beginning of year	3,217	19,047
Unencumbered cash, end of year	\$ 9,217	\$ 25,297

See Independent Auditor's Report.

<u>Equipment reserve</u>	<u>Capital improvement</u>	<u>Total</u>
\$ -	\$ -	\$ 13,000
-	2,236,471	2,236,471
-	60,000	60,000
<u>125,000</u>	<u>250,000</u>	<u>375,000</u>
<u>125,000</u>	<u>2,546,471</u>	<u>2,684,471</u>
-	-	750
<u>49,259</u>	<u>2,614,627</u>	<u>2,663,886</u>
<u>49,259</u>	<u>2,614,627</u>	<u>2,664,636</u>
75,741	(68,156)	19,835
<u>399,978</u>	<u>555,237</u>	<u>977,479</u>
<u><u>\$ 475,719</u></u>	<u><u>\$ 487,081</u></u>	<u><u>\$ 997,314</u></u>

CITY OF CIMARRON, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem tax	\$ 50,516	\$ 39,312	\$ 37,885	\$ 1,427
Delinquent tax	834	1,217	150	1,067
Vehicle tax	15,560	11,285	11,433	(148)
Special assessments	190,540	191,641	120,000	71,641
Sale of lots	31,250	-	-	-
Transfers:				
Sewer enterprise	-	-	33,880	(33,880)
Water enterprise	51,329	105,674	109,190	(3,516)
Neighborhood revitalization rebate	(2,570)	(1,582)	(1,639)	57
Total receipts	<u>337,459</u>	<u>347,547</u>	<u>\$ 310,899</u>	<u>\$ 36,648</u>
Expenditures:				
Debt service:				
Principal	265,000	290,000	\$ 275,000	\$ (15,000)
Interest and commissions	73,731	49,117	68,248	19,131
Cash basis reserve	-	-	75,000	75,000
Total expenditures	<u>338,731</u>	<u>339,117</u>	<u>\$ 418,248</u>	<u>\$ 79,131</u>
Receipts over (under) expenditures	(1,272)	8,430		
Unencumbered cash, beginning of year	<u>128,434</u>	<u>127,162</u>	<u>\$ 107,349</u>	<u>\$ 19,813</u>
Unencumbered cash, end of year	<u>\$ 127,162</u>	<u>\$ 135,592</u>		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**PEARL LUTHER ENDOWMENT FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2016</u>	<u>2017</u>
Receipts:		
Interest	\$ 49	\$ 120
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	49	120
Unencumbered cash, beginning of year	<u>21,174</u>	<u>21,223</u>
Unencumbered cash, end of year	<u><u>\$ 21,223</u></u>	<u><u>\$ 21,343</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

LIGHT ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Sales	\$ 1,539,534	\$ 1,560,425	\$ 1,950,000	\$ (389,575)
Interest	381	981	-	981
Total receipts	<u>1,539,915</u>	<u>1,561,406</u>	<u>\$ 1,950,000</u>	<u>\$ (388,594)</u>
Expenditures:				
Public works:				
Personal services	345,818	356,554	\$ 350,000	\$ (6,554)
Contractual services	113,778	136,894	150,000	13,106
Commodities	922,137	933,161	1,500,000	566,839
Reimbursed expenditures	(2,256)	-	-	-
Transfers:				
Capital improvement	-	75,000	100,000	25,000
Equipment reserve	120,000	-	100,000	100,000
Total expenditures	<u>1,499,477</u>	<u>1,501,609</u>	<u>\$ 2,200,000</u>	<u>\$ 698,391</u>
Receipts over (under) expenditures	40,438	59,797		
Unencumbered cash, beginning of year	<u>508,766</u>	<u>549,204</u>	<u>\$ 273,766</u>	<u>\$ 275,438</u>
Unencumbered cash, end of year	<u>\$ 549,204</u>	<u>\$ 609,001</u>	<u>\$ 23,766</u>	<u>\$ 585,235</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

WATER ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Sales	\$ 440,596	\$ 437,491	\$ 450,000	\$ (12,509)
Interest	281	757	-	757
Total receipts	440,877	438,248	\$ 450,000	\$ (11,752)
Expenditures:				
Public works:				
Personal services	115,469	77,105	\$ 175,000	\$ 97,895
Contractual services	66,965	60,345	100,000	39,655
Commodities	45,928	48,386	100,000	51,614
Capital outlay	-	480	10,000	9,520
Transfers:				
Bond and interest	51,329	105,674	109,190	3,516
Equipment reserve	25,000	125,000	75,000	(50,000)
Capital improvement	50,000	-	75,000	75,000
Total expenditures	354,691	416,990	\$ 644,190	\$ 227,200
Receipts over (under) expenditures	86,186	21,258		
Unencumbered cash, beginning of year	426,842	513,028	\$ 257,883	\$ 255,145
Unencumbered cash, end of year	\$ 513,028	\$ 534,286	\$ 63,693	\$ 470,593

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRASH ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	favorable (unfavorable)
Receipts:				
Sales	\$ 232,707	\$ 307,524	\$ 250,000	\$ 57,524
Expenditures:				
Public works:				
Contractual services	215,276	281,438	\$ 250,000	\$ (31,438)
Commodities	603	90	10,000	9,910
Transfers:				
Equipment reserve	-	-	50,000	50,000
Capital improvement	15,000	-	50,000	50,000
Total expenditures	230,879	281,528	\$ 360,000	\$ 78,472
Receipts over (under) expenditures	1,828	25,996		
Unencumbered cash, beginning of year	143,010	144,838	\$ 139,410	\$ 5,428
Unencumbered cash, end of year	\$ 144,838	\$ 170,834	\$ 29,410	\$ 141,424

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SEWER ENTERPRISE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		2017		Variance favorable (unfavorable)
	2016	Actual	Budget	
Receipts:				
Sales	\$ 213,739	\$ 213,301	\$ 220,000	\$ (6,699)
Expenditures:				
Public works:				
Personal services	55,717	54,482	\$ 68,000	\$ 13,518
Contractual services	16,736	15,684	55,000	39,316
Commodities	17,217	18,115	20,000	1,885
Capital outlay	-	-	120,000	120,000
Transfers:				
Sewer plant replacement	63,600	63,600	100,000	36,400
Bond and interest	-	-	33,880	33,880
Total expenditures	153,270	151,881	\$ 396,880	\$ 244,999
Receipts over (under) expenditures	60,469	61,420		
Unencumbered cash, beginning of year	150,768	211,237	\$ 177,173	\$ 34,064
Unencumbered cash, end of year	\$ 211,237	\$ 272,657	\$ 293	\$ 272,364

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**SEWER PLANT REPLACEMENT FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u>2016</u>	<u>2017</u>
Receipts:		
Transfers:		
Sewer enterprise	<u>\$ 63,600</u>	<u>\$ 63,600</u>
Expenditures:		
Debt service:		
Principal	60,225	30,919
Interest and commissions	<u>2,713</u>	<u>550</u>
Total expenditures	<u>62,938</u>	<u>31,469</u>
Receipts over (under) expenditures	662	32,131
Unencumbered cash, beginning of year	<u>41,738</u>	<u>42,400</u>
Unencumbered cash, end of year	<u><u>\$ 42,400</u></u>	<u><u>\$ 74,531</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**CIMARRON CITY LIBRARY
(A RELATED MUNICIPAL ENTITY)****SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2017

	General	Special purpose State aid	Total
Receipts:			
Transfers from City of Cimarron	\$ 162,901	\$ -	\$ 162,901
Gray County Library Board	14,470	-	14,470
State of Kansas	-	1,208	1,208
Grants	7,983	-	7,983
Fines, photocopies and other charges	2,809	-	2,809
Donations and memorials	3,312	-	3,312
Interest	303	-	303
Rent	1,315	-	1,315
Program income	5,165	-	5,165
Other	2,829	-	2,829
Total receipts	201,087	1,208	202,295
Expenditures:			
Salaries and payroll taxes	118,958	-	118,958
Books and periodicals	12,710	-	12,710
Supplies	5,237	-	5,237
Audios and videos	3,604	1,301	4,905
Computer software	56	-	56
Utilities	4,345	-	4,345
Repairs and maintenance	20,009	-	20,009
Dues and contracts	9,557	-	9,557
Contractual services	5,839	-	5,839
Capital outlay	13,568	-	13,568
Grant/program expense	14,043	-	14,043
Miscellaneous	(687)	-	(687)
Total expenditures	207,239	1,301	208,540
Receipts over (under) expenditures	(6,152)	(93)	(6,245)
Unencumbered cash, beginning of year	119,233	95	119,328
Unencumbered cash, end of year	\$ 113,081	\$ 2	\$ 113,083

See Independent Auditor's Report.

APPENDICES

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Cimarron, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Cimarron, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statement, which collectively comprise the City of Cimarron's basic financial statement, and have issued our report thereon dated September 24, 2018. Our report on the financial statement disclosed that, as described in Note A to the financial statement, the City has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Cimarron's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kennedy McKee & Company LLP

September 24, 2018

Kennedy
McKee & Company LLP Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Honorable Mayor and City Council
City of Cimarron, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Cimarron, Kansas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cimarron, Kansas's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cimarron, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the City of Cimarron, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cimarron's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kennedy McKee & Company LLP

September 24, 2018

CITY OF CIMARRON, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

<u>Federal grantor/ pass-through grantor/ program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Expenditures</u>	<u>Passed through to subrecipients</u>
U.S. Department of Transportation				
Federal Aviation Administration				
Direct Programs:				
Runway 18-36 Reconstruct	20.106	3-20-0116-009-2016	<u>\$ 2,244,131</u>	<u>\$ -</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

CITY OF CIMARRON, KANSAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Cimarron, Kansas under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule is presented using a regulatory basis of accounting prescribed by the *Kansas Municipal Audit and Accounting Guide* (as described in Note A to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

B. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are prepared using the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

C. INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

CITY OF CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on whether the financial statements of the City of Cimarron, Kansas, were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statement were reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of the City of Cimarron, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs is reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the City of Cimarron, Kansas expresses an unmodified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The program tested as a major program included:

Runway 18-36 Reconstruct CFDA 20.106
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. The City of Cimarron did not qualify as a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None noted

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted